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Exhibit 9.13

**Presented during cross-examination
of Staff witness Jerry Albrecht**

Docket No. 6680-UR-117

Public Service Commission of Wisconsin
Direct Testimony of Jerry Albrecht
Gas and Energy Division

Wisconsin Public Service Corporation
Docket 6690-UR-118

August 28, 2006

1 Q. Please state your name and occupation

2 A. My name is Jerry Albrecht. I am employed in the Gas and Energy Division at the Public
3 Service Commission (Commission) as a Senior Rate Engineer. I have been employed at
4 the Commission for over 20 years. I have reviewed and prepared both electric and water
5 cost-of-service studies and designed electric and water rates for numerous utility rate
6 proceedings.

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is twofold. First, my purpose is to present an alternative
9 electric revenue allocation and electric rate design proposal in this proceeding. Secondly,
10 I will respond to electric rule changes proposed by WPSC and in addition, sponsor
11 electric rule change proposals developed in consultation with other Commission staff,
12 primarily our consumer affairs specialists in the Commission's Division of Water,
13 Compliance, and Consumer Affairs.

14 Q. What exhibits are you sponsoring in this proceeding?

15 A. I am sponsoring one exhibit, Exhibit ____ (JA-1).

16 Q. Was this exhibit prepared by you or under your direction?

17 A. Yes.

18 Q. Please describe Exhibit ____ (JA-1).

1 A. The exhibit contains three schedules. Schedule 1 summarizes the proposed revenue
2 allocation for the major electric cost-of-service groups. Schedule 2 is a summary of the
3 present and proposed revenue for each electric rate class. Schedule 3 shows the details of
4 the present and proposed electric rates and revenue for each rate class, based on the
5 Commission audit staff's proposed revenue requirement and my alternative rate design.

6 Q. What is the revenue requirement proposed by Commission audit staff?

7 A. Commission audit staff proposed an electric increase is approximately \$85,771,000, for
8 the 2007 test year. This represents an approximate 9.99 percent increase above the
9 present rates for retail electric service.

10 **REVENUE ALLOCATION**

11 Q. What has the Commission used to allocate revenue responsibility in other dockets?

12 A. The Commission has historically relied upon the results of several different COSS, as
13 well as other factors, to make decisions on rate design and revenue allocation.

14 Q. Please describe the general principles you used in establishing your alternative electric
15 revenue allocation.

16 A. I developed this alternative revenue allocation using the electric cost of service
17 information submitted by Commission staff witness Dr. James B. Petersen in this
18 proceeding, along with other information such as the bill comparisons, and bill impacts. I
19 also used my knowledge and years of experience as a senior rate engineer gained working
20 on numerous rate proceedings. Commission staff's electric COSS analysis supports a
21 significantly lower than average increase for the Small Use customers and higher than
22 average increases for the Commercial and Industrial classes of customers.

23 My revenue allocation generally follows from the Commission staff electric cost

1 studies. The impacts of the staff's revenue allocation are significantly lower than average
2 increases for the Small Use customers (residential, small commercial, and lighting rate
3 classes) and larger than average increases for the Commercial and Industrial customer
4 classes. However, I limited the rate class increases to approximately plus or minus
5 4 percent around the overall electric increase. I included a 6.8 percent increase for
6 residential, a 13.4 percent increase for commercial, a 13.4 percent increase for industrial
7 and a 7.5 percent increase for the miscellaneous and lighting classes.

8 Q. How would you propose to address any changes in the revenue requirement subsequent
9 to the Commission deciding the issues in this case?

10 A. I would propose that significant changes be allocated using the appropriate cost allocator,
11 if known. For example, a large increase in gas costs to operate the company's generators
12 is an energy-related cost and therefore an energy allocation should be used. If an
13 allocator cannot be identified for various changes in the revenue requirement, then a
14 neutral allocator such as present revenues could be used. Otherwise, the ratio of revenue
15 for each customer class divided by the total sales revenue could be used to adjust to the
16 final revenue requirement.

17 Q. Please describe the general process of revenue reallocation and revision of the electric
18 rate design subsequent to the Commission deciding the issues in this case.

19 A. First, I will update the revenue allocation and rate design to reflect the Commission's
20 decisions in this case, using rate design principles and my experience. Adjustments to
21 address any significant changes in the revenue requirement would be done as described
22 above. The Commission will review the revised revenue allocation and rate design and

1 ultimately approve a final revenue allocation and rate design when it issues its Final
2 Decision.

3 **RATE DESIGN FOR THE 2007 TEST YEAR**

4 Q. What guidelines do you generally use to develop the rate design?

5 A. The rate design process balances multiple objectives. I used the Commission rate staff's
6 cost study information in this proceeding as a guide in developing rates; however, I also
7 considered many other important factors. Mr. James C. Bonbright¹ lists the following ten
8 characteristics of a good rate design:

- 9 1. yields the total revenue requirement effectively;
- 10 2. produces stable and predictable revenues;
- 11 3. results in no unexpected changes in the rates themselves;
- 12 4. promotes static efficiency, which in turn discourages wasteful use and
13 promotes justified use;
- 14 5. reflects all present and future private and social costs and benefits caused by
15 using the service;
- 16 6. apportions the costs of service fairly among ratepayers;
- 17 7. avoids undue discrimination in rate relationships (no subsidies);
- 18 8. promotes dynamic efficiency by encouraging innovation and economic
19 responses to changing demand and supply patterns;
- 20 9. creates simplicity, certainty, convenience of payment, economy in collection,
21 understandability, public acceptability, and feasibility of application; and
- 22 10. eliminates controversy about interpretation.

23 Q. Does your rate design reflect all of these characteristics?

24 A. No. These characteristics represent goals rather than a rigid prescription for proper rate
25 design. I believe my rate design achieves many of the above goals. I generally used the

¹ James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Public Utility Reports, 1988.

1 above goals and applied my experience as a rate engineer to develop my electric rate
2 design alternative.

3 Q. Please describe your electric rate design.

4 A. This design maintains the current rate structure, which includes seasonal rates, daily
5 customer charges, and mandatory or optional time-of-day (TOD) rates for almost all
6 customer classes. I generally increased customer, energy, and demand charges to achieve
7 the Commission audit staff's revenue requirement. The electric rate design does not
8 include any customer class decreases. I endeavored to maintain some of the existing rate
9 relationships such as the differences between summer and winter charges. I also
10 considered customer bill impacts. I limited the increases to any customer class to
11 approximately four percent above the overall increase based on the Commission audit
12 staff revenue level.

13 **Residential Class Rate Design**

14 Q. Please describe some of the specific rate changes for the energy-only rate classes.

15 A. I increased the customer charge for the Rg-1 (urban) customers from \$8.00 to \$8.40 per
16 month and decreased the customer charges for the Rg-2 (rural) customers from \$10.00 to
17 \$9.40 per month. The energy rates for these two classes are currently the same. The
18 energy rates are increased by the same amount for both customer classes.

19 This combination of changes moves toward common customer and energy
20 charges for the non time-of-day residential customers as exists for all of the other large
21 private utilities in Wisconsin. This alternative would reduce the current \$2 per month
22 difference in half. If the Commission accepts this alternative, a similar change in a
23 subsequent rate case would reduce the administrative burden for WPSC of trying to keep

1 track of the different rate territories. This would also simplify WPSC's rate structure.

2 Several of the other large private utilities had both rural and urban rates at some time in
3 the past. However, WPSC is the only one of these utilities that still has different urban
4 and rural rates.

5 WPSC proposed a \$2 increase for the residential customer charges. However, the
6 primary cost driver in the last several rate cases have been energy and demand costs not
7 the fixed costs. This to would be consistent with other large private utilities in
8 Wisconsin.

9 The customer charges for the optional time-of-day (TOD) rates follows from the
10 design for the non-TOD rates. The on-peak and off-peak rates are increased while
11 keeping the on-peak to off-peak ration the same.

12 **Commercial Class Rate Design**

13 Q. Please describe some of the specific rate changes for the non-demand billed rate classes.

14 A. I increased the customer charge for the Cg-1 (urban) customers from \$10.00 to \$10.50
15 per month and decreased the customer charges for the Cg-2 (rural) customers from
16 \$12.00 to \$11.50 per month. The energy rates for these two classes are currently the
17 same. The energy rates are increased by the same amount for both customer classes.

18 Like the energy-only rates for non time-of-day residential customers, this
19 combination of changes is a move toward common customer and energy charges for the
20 smaller commercial customers as well. This would be what exists for all of the other
21 large private utilities in Wisconsin. This is less than the \$2 customer charge increase
22 WPSC proposed for the smaller commercial customers.

1 The Cg-5 rate class is the next rate class for commercial customers that are larger
2 than Cg-1 and Cg-2 customers. The current customer charges for Cg-5 customers are
3 2.5 to 3 times those charges for the Cg-1 and Cg-2 customers. The differential between
4 single-phase and three-phase customer charges is so great that it exceeds the total Cg-1
5 three-phase customer charge. In order to bring these charges more in line with the overall
6 rate structure for the non-demand metered customers I reduced the differential to \$5.00
7 per month, which is comparable to the single-phase vs. three-phase customer charge
8 differentials for the other non-demand customer charges. Balancing these higher
9 customer charges are energy charges that are currently about 16 percent less than for
10 these other rate classes.

11 **Large Commercial/Industrial Rate Design**

12 Q. Please describe some of the specific rate changes for the large demand and energy billed
13 rate classes.

14 A. I increased both energy charges, and demand charges for the Cg-20 customers. I left the
15 Cg-20 limiter unchanged. However, this rate is currently about 50 percent higher than
16 the energy charges paid by the non-demand metered customers. WPSC proposed
17 increasing this charge by more than 2.2 ¢/kWh, which is more than 60 percent higher
18 than the energy charges proposed by WPSC for the non-demand metered customers. It
19 has not been demonstrated that the cost to serve these lower load factor customers that
20 pay this limiter rate has increased that much more than the costs to serve the other
21 commercial customers. WPSC proposed an overall increase for the Cg-20 class by
22 almost 14.3 percent, while my alternative increase is 13.4 percent. I increased energy
23 charges, and demand charges for the Cp customers, resulting in a class increase of

1 13.4 percent. My proposed increases for the Cg-20 and Cp classes move the rates for
2 these classes toward the Commission staff electric COSS results.

3 **Lighting and Miscellaneous Rate Design**

4 Q. Please describe some of the specific rate changes for the lighting and miscellaneous rate
5 classes.

6 A. The lighting and miscellaneous rate classes are combined with the other small use
7 customers in the Commission staff's electric COSS. I generally increased these rates
8 similar to other small use customers. I recommend adjusting all of the lighting rates
9 including the credits that apply under various lighting rate provisions, including the
10 partial night reductions and temporary discontinuation of lighting service. The same
11 changes would also apply to all of the credits including those that have no bill units.
12 WPSC's lighting rate design does not include changes in these credits.

13 **RATE CHANGE MECHANISM FOR 2008 RATES**

14 Q. Do you have any concerns about WPSC's proposal for the second year of this biennial
15 rate case?

16 A. Yes. WPSC's witness Ms. Ilze Rukis testified that to avoid a rate case next year a new
17 rate increase mechanism should be used. The company provided limited support
18 documentation for the proposal and did not discuss this proposal with the Commission's
19 rates staff. The filed information is insufficiently detailed to allow more than a surcharge
20 or across the board per kWh increase for all of the electric customer classes, for 2008
21 rates.

1 **SERVICE AND EXTENSION RULE TARIFF CHANGES**

2 Q. Did you review WPSC's proposed changes to various electric and natural gas service rule
3 tariffs, presented by Mr. Karl J. Hosely for WPSC?

4 A. Yes. I will address the electric tariff portion of the proposed rule changes. The natural
5 gas tariff changes as well as any combined electric and natural gas changes are being
6 reviewed by Commission staff witness Mr. Kane Walent. The position I am representing
7 include those of the Commission staff consumer affairs specialists, with whom I
8 consulted.

9 Q. How do you propose to modify Term of Contract (Vol. 7 Sheet E10.00, Schedule
10 ESRX-1)?

11 A. I propose to eliminate the term of contract language (Vol. 7 Sheet E10.00, Schedule
12 ESRX-1) specifying a three year contract period for electric service because this is
13 tariffed utility service and customers should not be bound to a contract term in the
14 general service rules. Basic residential and commercial customers should be able to
15 apply for service and discontinue service at any time upon proper notification to the
16 utility under the general service rules. In cases, of some special or optional rates, it may
17 be appropriate to specify a contract term in the individual rate tariff.

18 In addition, I propose to eliminate the language that would hold a previous
19 customer liable for the use of service of their successors in the event that the previous
20 customer failed to notify the utility to stop service and their successor refuses to pay. I
21 oppose holding customers liable for the service of someone else. I also propose this
22 language be removed and new language added that requires an occupant to apply to the
23 utility for new service and to notify the utility when discontinuing service. This makes

1 customers responsible for starting and stopping their own service and does not hold a
2 customer liable for the service of a subsequent occupant. Wis. Admin. Code §
3 PSC 113.0406(6) requires an occupant to apply for service and allows the utility to bill
4 for service at a later date with reasonable grounds if the occupant does not apply for
5 service. The present rule does not require an occupant to contact the utility to stop
6 service.

7 I propose that an example of the third party notification of billing responsibility
8 letter be included in the revised tariff under Service Rules to facilitate the review by the
9 Commission consumer affairs staff when investigating a complaint.

10 Q. How do you propose to modify Late Payment Charge lines 5 and 6 (Vol. 7 Sheet 10.02,
11 Schedule ESRX-2)?

12 A. I propose to eliminate a portion of the Disputed Late Payment Charge (Vol. 7 Sheet
13 10.02, Schedule ESRX-2) language that refers to waiving fees. Wis. Admin. Code §
14 PSC 113.0406(1)(i)(6) prohibits waiving any properly assessed late fees. I oppose
15 offering any system exemptions to the assessment of late fees, except in the case of
16 budget billing during the reconciliation or true-up period. If a customer's payment posts
17 after the subsequent bill is printed, late fees would be assessed with the new billing. I
18 also oppose waiving the late fees at the company's discretion if the customer has a
19 "valid" reason for the delay such as mail delays, hospital stays, etc. Waiving late fees
20 under such circumstances could be discriminatory and be based on subjective reasons that
21 are not equally applied from one customer to another.

22 Q. How do you propose to modify the Rules for Deposit, Guarantee, and Disconnection
23 (Vol. 7 Sheet E10.04, Schedule ESRX-4)?

1 A. I propose that examples of all disconnection notices be included in the revised tariff
2 under Service Rules. Because the disconnection notice must be approved by the
3 Commission, the inclusion of all types of disconnection notices used by WPSC would
4 facilitate review by Commission consumer affairs staff when investigating consumer
5 complaints.

6 In addition, I propose that WPSC's toll-free telephone number, 1-800-450-7260,
7 be added to its disconnection notices at the bottom after "Please contact your local
8 Wisconsin Public Service office...."

9 This would reduce the number of customers who look for the utility's telephone
10 number and see the Commission's telephone number and call the Commission, not
11 realizing that it is not the utility's telephone number.

12 Q. How do you propose to modify Billing Proration Procedures for Electric Service
13 Fractional Months (Vol. 7 Sheet E10.07, Schedule ESRX-7)?

14 A. I propose that the language in Billing Proration Procedures for Electric Service Fractional
15 Months (Vol. 7 Sheet E10.07, Schedule ESRX-7) be changed to consistently state,
16 "Prorate on a daily basis." rather than use both "Prorate on daily basis." and "Prorate on a
17 daily basis."

18 Q. How do you propose to modify Budget Billing Plan (Vol. 7 Sheet E10.09, Schedule
19 ESRX-9)?

20 A. I propose that the language of the Budget Billing Plan (Vol. 7 Sheet E10.09, Schedule
21 ESRX-9) be revised to comply with Wis. Admin. Code § 113.0406(5)(c) which states,
22 "...at the end of the budget year shall be less than one month's budget amount." rather

1 than the current language which states “....shall be equal to one month’s budget amount.”

2 This would make the tariff language consistent with the administrative code.

3 I also propose adding language to the next subsection of the Budget Billing Plan
4 (Vol. 7 Sheet E10.09, Schedule ESRX-10) in line 2 “in monthly installments” after the
5 word “consolidated” to be consistent with Wis. Admin. Code § PSC 113.0406(5)(g)2.

6 Q. How do you propose to modify the Resale of Energy section (Vol. 7 Sheet E10.09,
7 Schedule ESRX-20)?

8 A. I propose to change “five days” to “ten days”. Wis. Admin. Code §§ PSC 113.0301
9 (residential) and PSC 113.0302 (commercial and farm) require a ten day disconnection
10 notice.

11 Q. How do you propose to modify the Disconnection of Landlord’s Residential Service
12 Because of Arrearage at the Landlord Owned Residential Rental Unit section (Vol. 7
13 Sheet E10.22, Schedule ESRX-22 and Sheet E10.23, Schedule ESRX-23)?

14 A. I propose that with regard to Disconnection of Landlord’s Residential Service Because of
15 Arrearage at the Landlord Owned Residential Rental Unit section (Vol. 7 Sheet E10.22,
16 Schedule ESRX-22 and Sheet E10.23, Schedule ESRX-23) examples of all
17 landlord/tenant notification letters should be included in the revised tariff under Service
18 Rules to facilitate the review by the Commission consumer affairs staff when
19 investigating consumer complaints.

20 In addition, I propose that all landlord/tenant notification letters to include
21 language that service will be put into the owner or property manager’s name unless the
22 utility is notified within 15 days from the date of the letter that the owner or property
23 manager disputes such a change or wishes service disconnected. This would allow

1 property owners a more defined time frame in which to contact the utility to dispute the
2 change of responsible party or request disconnection of service and would also comply
3 more closely with Wis. Stat. § 196.463.

4 Q. Are there any other changes that need to be made to WPSC's rule tariffs?

5 A. Yes. WPSC's current electric service rule tariffs contain references to the Wisconsin
6 Administrative Code that are not current. In 2000, the Wis. Admin. Code ch. PSC 113
7 was renumbered. Some of the old numbered sections are still in WPSC's tariffs. For
8 example, there are several references to Wis. Admin. Code § PSC 113.315. These
9 references should be changed to the current Wis. Admin. Code § PSC 113.0803. In
10 addition Wis. Admin. Code ch. PSC 119 was created in 2004. There may be some
11 references to Wis. Admin. Code ch. PSC 113 that should now reference Wis. Admin.
12 Code ch. PSC 119. There may also be reference to other sections of the Wisconsin
13 Administrative Code in WPSC's current rate tariffs.

14 Q. How do you propose that WPSC handle updating its tariffs to reflect the current
15 Wisconsin Administrative Code references?

16 A. I propose the WPSC make a through review of its tariff and work with the Commission
17 rates staff to make all the necessary updates of references to the Wisconsin
18 Administrative Code.

19 Q. Does this conclude your direct testimony?

20 A. Yes, it does.

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